

Message Text

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ACTION SS-25

INFO OCT-01 ISO-00 SSO-00 /026 W
-----004473 111139Z /10

R 111032Z JUL 77
FM AMEMBASSY SINGAPORE
TO SECSTATE WASHDC 8071
INFO AMEMBASSY BANGKOK
AMEMBASSY KUALA LUMPUR
AMEMBASSY JAKARTA
AMEMBASSY MANILA

S E C R E T SECTION 1 OF 2 SINGAPORE 2915

EXDIS

DEPT ALSO PASS CINCPAC FOR POLAD

E.O. 11652: GDS
TAGS: EGEN, PFOR, ASEAN
SUBJ: SINGAPORE PRIME MINISTER'S PRELIMINARY THOUGHTS ON 10TH
ASEAN MINISTERIAL MEETING

REF: SINGAPORE 2868

1. SUMMARY: PM LEE CONSIDERS THAT ASEAN ECONOMIC PROGRESS IS BEING IMPEDED BY INDONESIAN PERSISTENCE IN VIEWING ASEAN AS A POTENTIAL MILITARY SECURITY ORGANIZATION AND BY RESISTING STEPS TOWARD MEANINGFUL ECONOMIC COOPERATION. HE BELIEVES THAT THE LATTER PROBLEM IS DUE TO THE INFLUENCE OF INDONESIAN GENERALS SUCH AS MINISTER OF INDUSTRIES JUSUF WHO HAVE VESTED INTERESTS IN NASCENT INDUSTRIAL ENTERPRISES AND THUS ARE OPPOSED TO INTRA-ASEAN PREFERENTIAL TRADE AGREEMENTS. HE ALSO PERCEIVES AN INDONESIAN MOVE TO DOMINATE ASEAN BY PROPOSING TO ABOLISH THE ASEAN STANDING COMMITTEE WHILE AT THE SAME TIME STRENGTHENING THE INDONESIAN-LED SECRETARIAT - A PROPOSAL RESISTED BY THE OTHER FOUR MEMBER STATES. PM LEE HOPES TO DRAW
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INDONESIA INTO A MORE CONSTRUCTIVE RELATIONSHIP WITH ASEAN BY DEMONSTRATING THE MERITS OF CLOSER COOPERATION WITHIN A SUBGROUPING OF SINGAPORE, THAILAND, THE PHILIPPINES, AND POSSIBLY MALAYSIA. HE HOPES ALSO THAT JAPAN AND THE U.S. WILL FIND OPPORTUNITIES TO POINT OUT THE MERITS OF CLOSER ASEAN ECONOMIC COOPERATION TO THE INDONESIANS, PARTICULARLY PRESIDENT SUHARTO. END SUMMARY.

2. I MET WITH PRIME MINISTER LEE KUAN YEW JULY 9 FOR WHAT HE TERMED A "PRELIMINARY DISCUSSION" OF THE OUTCOME OF THE 10TH ASEAN MINISTERIAL MEETING. HE HAD NOT YET HAD AN OPPORTUNITY TO DEBRIEF FOREIGN MINISTER RAJARATNAM FULLY, HE SAID, BUT WANTED TO PASS ALONG HIS INITIAL IMPRESSIONS IN ADVANCE OF A FURTHER SESSION HE PLANNED TO HAVE WITH ME AFTER HE HAD TALKED TO RAJA.

3. PM LEE BEGAN BY REFERRING TO THE SECRETARY'S ASIA SOCIETY SPEECH, WHICH HE CALLED "GOOD". COMING AS IT HAD ON THE EVE OF THE ASEAN ECONOMIC MINISTERS AND FOREIGN MINISTERS CONFERENCES, THE TIMING HAD BEEN JUST RIGHT; IN ADDITION, THE SPEECH HAD STRENGTHENED THE HANDS OF THOSE WHO FAVORED A GREATER DEGREE OF ASEAN ECONOMIC COOPERATION.

4. PM LEE THEN TURNED TO THE MAIN ISSUE HE WANTED TO RAISE WITH ME; CONTINUED INDONESIAN RESISTANCE TO EFFECTIVE ASEAN ECONOMIC COOPERATION. INCREDIBLE AS IT MIGHT SEEM, HE NOTED, THE INDONESIANS WERE STILL TRYING TO TURN ASEAN INTO A MILITARY SECURITY ORGANIZATION -- THIS IN THE FACE OF CONTINUED OBJECTIONS FROM THE OTHER FOUR PARTIES -- AND STILL REGARDED SECURITY AS SOMETHING WHICH COULD BEST BE ACHIEVED BY THE GUN RATHER THAN THROUGH POLITICAL, ECONOMIC, AND SOCIAL PROGRESS.

5. PM LEE WENT ON TO SAY THAT INDONESIA'S CONCEPTS OF GIVING
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PRIORITY TO THE GUN HAD BEEN BROUGHT TO BEAR ON THAILAND AND MALAYSIA. REGARDING THAILAND, THE INDONESIANS HAD BEEN PREACHING A KIND OF STRENGTHENED MILITARY RULE (THIS WAS THEIR WAY TO "NATIONAL RESILIENCY", HE NOTED), WHILE THEY HAD BEEN PROMISING TO SEND INDONESIAN TROOPS TO THE RESCUE IN MALAYSIA IF THE COMMUNISTS THERE APPEARED TO BE WINNING OUT, AND THUS SAVE AT LEAST THE LOWER PORTION OF THE MALAYSIAN PENINSULA. PM LEE WONDERED HOW THE INDONESIANS COULD REALLY BELIEVE SECURITY COULD BE ESTABLISHED IN SUCH TERMS; NEVERTHELESS, HE SAID, THIS WAS THEIR POSITION AND IT WAS ACCEPTED TO SOME EXTENT BY THE MALAYSIANS WHO WERE KEEPING THE OPTION OF INDONESIAN TROOPS OPEN.

6. AN EVEN GREATER PROBLEM, PM LEE INDICATED, WAS THE FACT THAT THE INDONESIANS WERE NOW DRAWING BACK FROM ASEAN ECONOMIC COOPERATION. HE ATTRIBUTED THIS TO THE FACT, AS HE PUT IT, THAT EVERY INDONESIAN GENERAL WAS TIED IN TO SOME KIND OF NASCENT INDUSTRIAL ENTERPRISE, AND HENCE RESISTED THE IDEA OF ASEAN PREFERENTIAL TRADE AGREEMENTS COVERING MANUFACTURED PRODUCTS. IN ADDITION, THE GENERALS HAD COME TO FEEL THAT INDONESIA SIMPLY DID NOT HAVE THE DEPTH OF ECONOMIC TALENT POSSESSED IN THE OTHER ASEAN COUNTRIES, AND COULDN'T MAKE IT

IF ASEAN CAME TO CONCENTRATE ON ECONOMIC MATTERS. UNFORTUNATELY, PRESIDENT SUHARTO WAS LISTENING TO THESE GENERALS, AND WAS OVERRIDING THE ADVICE OF ECONOMIC PLANNERS SUCH AS ECONOMIC MINISTER WIDJOJO, WHO ACTUALLY WERE IN FAVOR OF IMPLEMENTING ASEAN TRADE PREFERENCES.

7. AS AN EXAMPLE, PM LEE MENTIONED THAT AT THE RECENT ASEAN ECONOMIC MINISTERS MEETING IN SINGAPORE, GEN. JUSUF, INDONESIAN MINISTER OF INDUSTRIES, HAD FLATLY REFUSED TO AGREE TO SINGAPORE'S ASEAN DIESEL ENGINE PROJECT FOR ANYTHING LESS THAN 500 HP ENGINES DESPITE THE FACT THAT WIDJOJO HAD EARLIER ACCEPTED SINGAPORE'S PROJECT WITHOUT ANY LIMITATIONS. WHEN THIS WAS CALLED TO JUSUF'S ATTENTION BY THE SINGAPOREANS, JUSUF REMARKED THAT HIS OWN AGREEMENT HAD NOT BEEN OBTAINED BY WIDJOJO
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(FOR FACE REASONS WIDJOJO HAD ABSENTED HIMSELF FROM THE PROCEEDINGS WHILE THIS EPISODE WAS OCCURRING). ACCORDING TO PM LEE, JUSUF'S OBSTINACY WAS ATTRIBUTABLE TO A PERSONAL TIE-IN WITH AN INDONESIAN PROJECT TO BUILD DIESEL ENGINES OF UP TO 200-250 HP. JUSUF ALSO HAD DIRECT ACCESS TO PRESIDENT SUHARTO, AND HAD USED IT TO BYPASS WIDJOJO.

8. ANOTHER FEATURE PM LEE REPORTED CONCERNING ECONOMIC OBSTRUCTIONISM BY THE INDONESIANS WAS THEIR INSISTANCE THAT MEMBERSHIP ON THE BOARDS OF DIRECTORS OF THE FIVE ASEAN PROJECTS BE APPROVED BY UNANIMOUS VOTE OF THE FIVE GOVERNMENTS. THIS WOULD MEAN THAT PRIVATE ENTERPRISE AND EXPERTISE WOULD BE FROZEN OUT, SINCE (IN LEE'S OPINION) INDONESIA NOW HAS A "STATE CAPITALISM" PHILOSOPHY -- A HOLD-OVER FROM THE "STATE SOCIALISM" POLICIES OF THE SUKARNO ERA -- WHICH FAVORS GOVERNMENT MANAGEMENT OF LARGE-SCALE ENTERPRISE. PM LEE SAID THAT HE PERSONALLY WAS WILLING TO LET PRIVATE INVESTMENT HOLD AS MUCH AS 40 PCT OF THE 60 PCT CAPITAL INVESTED BY EACH COUNTRY IN ITS OWN MAJOR ASEAN PROJECT, AND FELT THAT THIS PRIVATE ELEMENT SHOULD IN THE INTERESTS OF EFFICIENCY BE REPRESENTED ON THE BOARD OF DIRECTORS.

9. A FINAL PROBLEM PM LEE PERCEIVED IN DEALING WITH THE INDONESIANS WAS A PROPOSAL THEY HAD RAISED DURING THE MINISTERIAL MEETING TO ABOLISH THE ASEAN STANDING COMMITTEE IN FAVOR OF RESERVING DECISIONS FOR MINISTERIAL-LEVEL MEETINGS. THE EFFECT WOULD BE TO MAKE IT DIFFICULT FOR ANY ASEAN MEMBER

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ACTION SS-25

INFO OCT-01 ISO-00 SSO-00 /026 W
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R 111032Z JUL 77
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TO SECSTATE WASHDC 8072
INFO AMEMBASSY BANGKOK
AMEMBASSY KUALA LUMPUR
AMEMBASSY JAKARTA
AMEMBASSY MANILA

S E C R E T SECTION 2 OF 2 SINGAPORE 2915

EXDIS

DEPT ALSO PASS CINCPAC FOR POLAD

TO ADDRESS AN ISSUE UNTIL A SCHEDULED MINISTERIAL MEETING
OCCURRED, AND IN THE MEANTIME THE ASEAN SECRETARIAT, WHICH IS
HEADED BY AN INDONESIAN, WOULD BECOME MUCH MORE POWERFUL THAN
IT IS NOW -- IN FACT, THE SECRETARIAT COULD BECOME A DOMINANT
ELEMENT. THIS IS WHAT INDONESIAN FOREIGN MINISTER MALIK HAD HAD
IN MIND WHEN HE HAD SPOKEN OF THE NEED TO STRENGTHEN THE
ORGANIZATION OF THE SECRETARIAT (REFTEL). THE INDONESIANS
WOULD DOMINATE THE PLAY.

10. PM LEE INDICATED THAT SINGAPORE AND THE OTHER THREE ASEAN
COUNTRIES HAD ALREADY LEANED OVER BACKWARDS TRYING TO ACCOM-
MODATE THE INDONESIANS. WHEN THE LATTER HAD BALKED AT A FREE
TRADE AREA AND PROPOSED INSTEAD THAT EACH COUNTRY SELECT ONE
MAJOR PROJECT FOR PREFERENTIAL TREATMENT, THE OTHERS HAD
GONE ALONG; THEY HAD ALSO ACCEPTED INDONESIA'S DESIRE (EXPRESSED
AT THE PRESENT ROUND OF TALKS) TO LIMIT FURTHER PREFERENTIAL
TREATMENT TO ONLY 71 PRODUCTS OUT OF THE MANY HUNDREDS
WHICH MIGHT HAVE BEEN INCLUDED. HOWEVER, INDONESIA'S EFFORTS
TO RESTRUCTURE ASEAN BY BUILDING UP THE SECRETARIAT AT THE
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EXPENSE OF THE STANDING COMMITTEE WERE BEING RESISTED. PM
LEE MENTIONED THAT FOLLOWING RAJARATNAM'S FORMAL DINNER JULY 8
THE FOREIGN MINISTERS HAD GONE AT IT HOT AND HEAVY, FOUR AGAINST
ONE, AND HAD INSISTED ON KEEPING ASEAN ON COURSE (THE CHAIRMAN-

SHIP OF THE ASEAN STANDING COMMITTEE IS NOW BEING TAKEN OVER BY THE THAI FOREIGN MINISTER). THE NEED FOR CONCRETE ECONOMIC PROGRESS WAS STRESSED, WITHOUT WHICH ASEAN WOULD BE SHOWN UP AS A SHADOW ORGANIZATION. PHILIPPINE FOREIGN MINISTER ROMULO HAD GONE SO FAR AS TO WARN THAT PRESIDENT MARCOS WOULD NOT ATTEND THE ASEAN SUMMIT IN THE ABSENCE OF CONCRETE ACHIEVEMENT.

11. TO COUNTER THE SITUATION HE HAD DESCRIBED, PM LEE'S THOUGHTS RAN TOWARD TRYING TO MAKE DEMONSTRABLE ECONOMIC PROGRESS WITHIN A SUB-GROUPING OF THREE ASEAN MEMBERS (SINGAPORE, THE PHILIPPINES, AND THAILAND), AND POSSIBLY A FOURTH (MALAYSIA), AS A MEANS OF SHOWING INDONESIA THE MERITS OF CLOSER ECONOMIC COOPERATION. MALAYSIA WOULD PROBABLY BE HESITANT IN JOINING IN DUE TO ITS POLICY OF NOT TAKING A STAND IN OPPOSITION TO INDONESIA, BUT IN THE PM'S OPINION COULD BE PERSUADED; INDONESIA THEN WOULD ULTIMATELY FOLLOW.

12. I TOLD PM LEE I HAD TWO QUESTIONS: FIRST, COULD THE MALAYSIANS IN FACT BE BROUGHT ALONG, AND SECOND, WASN'T IT POSSIBLE THAT AN ALIGNMENT OF FOUR ASEAN POWERS WITHOUT INDONESIA GENERATE RESENTMENTS AMONG THE INDONESIANS AND HENCE IMPAIR COOPERATION? PM LEE SAID THAT THE MALAYSIANS WERE COMPARATIVELY REALISTIC AND WOULD SEE FOR THEMSELVES THE MERITS OF CLOSER ECONOMIC RELATIONS; AS FOR THE INDONESIANS, IT WAS A MATTER OF EXPRESSION: IF THOSE TRYING TO BRING INDONESIA ALONG WERE CAREFUL TO USE INDONESIAN TERMINOLOGY, EVEN IF THE CONCEPTS BEHIND THIS TERMINOLOGY DIFFERED, INDONESIA MIGHT FIND ITSELF GRADUALLY DRAWN IN AND FINALLY BECOME ACCUSTOMED TO WORKING MORE CLOSELY WITH THE OTHERS.

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13. PM LEE WENT ON TO SAY, HOWEVER, THAT HE HOPED JAPAN AND THE U.S. -- THE TWO OUTSIDE POWERS WITH THE GREATEST VESTED INTEREST IN SOUTHEAST ASIAN STABILITY -- WOULD FIND OPPORTUNITIES TO POINT OUT TO KEY INDONESIANS THE MERITS OF CLOSER INDONESIAN COOPERATION WITH THE OTHER ASEAN COUNTRIES. THIS WAS PARTICULARLY IMPORTANT WITH PRESIDENT SUHARTO, WHOM PM LEE DESCRIBED AS A PERSON WHO LISTENS TO REASON ONCE HE IS REACHED.

14. COMMENT: PM LEE'S STORY OF THE PROBLEMS POSED FOR ASEAN BY INDONESIA IS A FAMILIAR ONE, ALTHOUGH SOME OF THE DETAILS ARE NEW. QUITE CLEARLY, HE HAS NO INTENTION OF CHALLENGING THE INDONESIAN ROLE DIRECTLY, BUT WILL INSTEAD PLAY ALONG IN THE EXPECTATION THAT MEANS MAY BE FOUND OVER TIME TO BRING INDONESIA MORE CLOSELY INTO THE FOLD. GIVEN PM LEE'S PENCHANT FOR WORST-CASE THINKING, THE MAGNITUDE OF THE PROBLEM MAY NOT BE AS GREAT AS HE DEPICTS IT (THOUGH I WONDER IF HIS RELIANCE UPON "EXPRESSION" IN DEALING WITH THE INDONESIANS

MAY NOT BE AS SIMPLE A MATTER AS HE BELIEVES). WHERE WE QUITE
EVIDENTLY COME IN IS VIA HIS EXPRESSED HOPE THAT WE WILL
TALK UP ASEAN ECONOMIC COOPERATION TO PRESIDENT SUHARTO, AND
I EXPECT TO HEAR MORE ABOUT THIS. INCIDENTALLY, THROUGHOUT HIS
VERY CANDID DISCOURSE PM LEE STRESSED THE HIGHLY SENSITIVE
NATURE OF WHAT HE WAS SAYING. HOLDRIDGE

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Message Attributes

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Capture Date: 01-Jan-1994 12:00:00 am
Channel Indicators: n/a
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Sent Date: 11-Jul-1977 12:00:00 am
Decaption Date: 22 May 2009
Decaption Note: 25 YEAR REVIEW
Disposition Action: RELEASED
Disposition Approved on Date:
Disposition Case Number: n/a
Disposition Comment: 25 YEAR REVIEW
Disposition Date: 22 May 2009
Disposition Event:
Disposition History: n/a
Disposition Reason:
Disposition Remarks:
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Document Source: CORE
Document Unique ID: 00
Drafter: n/a
Enclosure: n/a
Executive Order: GS
Errors: N/A
Expiration:
Film Number: D770245-0856
Format: TEL
From: SINGAPORE
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Original Handling Restrictions: EXDIS
Original Previous Classification: n/a
Original Previous Handling Restrictions: n/a
Page Count: 6
Previous Channel Indicators: n/a
Previous Classification: SECRET
Previous Handling Restrictions: EXDIS
Reference: 77 SINGAPORE 2868
Retention: 0
Review Action: RELEASED, APPROVED
Review Content Flags:
Review Date: 21-Jan-2005 12:00:00 am
Review Event:
Review Exemptions: n/a
Review Media Identifier:
Review Release Date: n/a
Review Release Event: n/a
Review Transfer Date:
Review Withdrawn Fields: n/a
SAS ID: 1903130
Secure: OPEN
Status: NATIVE
Subject: SINGAPORE PRIME MINISTER'S PRELIMINARY THOUGHTS ON 10TH ASEAN MINISTERIAL MEETING
TAGS: EGEN, PFOR, OCON, SN, ASEAN
To: STATE
Type: TE
vdkgvwkey: odbc://SAS/SAS.dbo.SAS_Docs/b5d5676d-c288-dd11-92da-001cc4696bcc
Review Markings:
Margaret P. Grafeld
Declassified/Released
US Department of State
EO Systematic Review
22 May 2009
Markings: Margaret P. Grafeld Declassified/Released US Department of State EO Systematic Review 22 May 2009